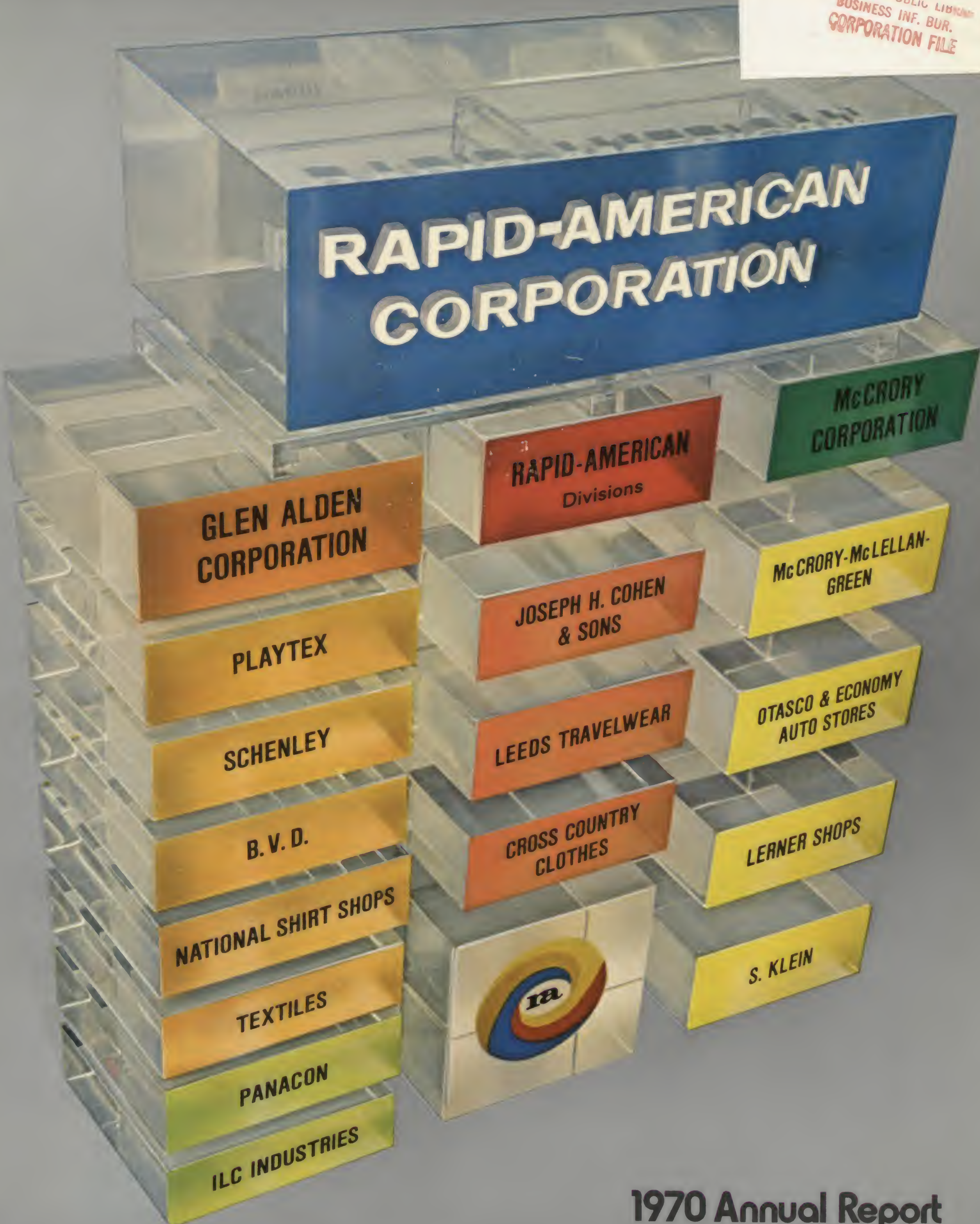


1970 Annual Report

The Rapid-American Family of Companies

Rapid-American Corporation controls a unique business structure of vast scope. Revenues of the various components total more than $2 billion for the second year.

The Rapid-American Family of Companies principally embraces these fields of business:

Rapid-American Divisions
the manufacture of men's tailored clothing and luggage.

Glen Alden
the manufacture and marketing of consumer products, comprising distilled whiskey and spirits, foundation garments, family products, and soft goods; in addition: retailing operations, and the manufacture of textiles, building materials and plumbing fixtures, and advanced-technology products.

McCrory
a broad spectrum of retailing: automotive, household, recreational and general merchandise, women's and children's apparel.

The structure of the Rapid-American Family of Companies is depicted on the cover of this report; relationships of less than 100% ownership are approximately as follows:

- ☐ *Rapid-American owns 64% of the common stock of Glen Alden Corporation and 55% of the common stock of McCrory Corporation.*
- ☐ *Glen Alden owns 86% of the common stock of Schenley Industries, Inc. (and has proposed a merger with Schenley); Glen Alden also owns an 89% equity interest in Panacon Corporation and 70% of the common stock of ILC Industries, Inc.*
- ☐ *McCrory owns 61% of the common stock of Lerner Stores Corporation.*

Rapid-American Corporation 1970 Annual Report

ANNUAL MEETING:
The 1971 Annual Meeting of Shareholders of Rapid-American Corporation will be held in the 59th Street Twin Theatres, 220 East 59th Street (between Second and Third Avenues), New York City, on Wednesday, May 26, 1971 at 10:30 a.m.

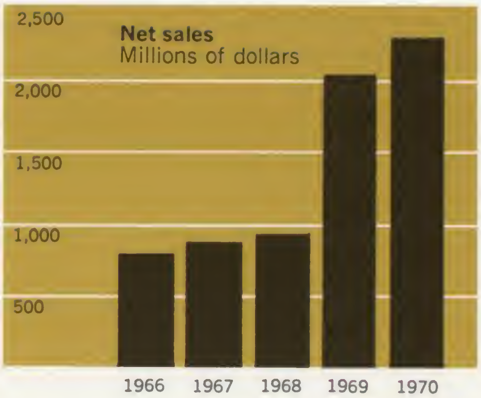
Meshulam Riklis,
Chairman and President

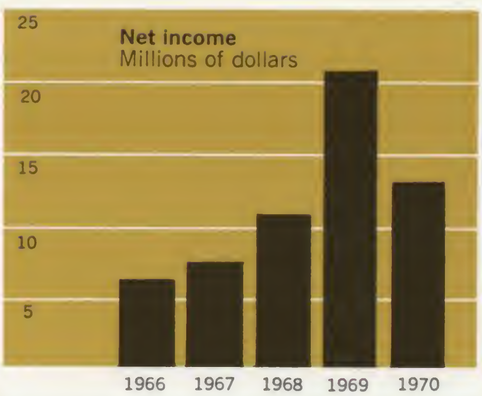
To Our Shareholders:

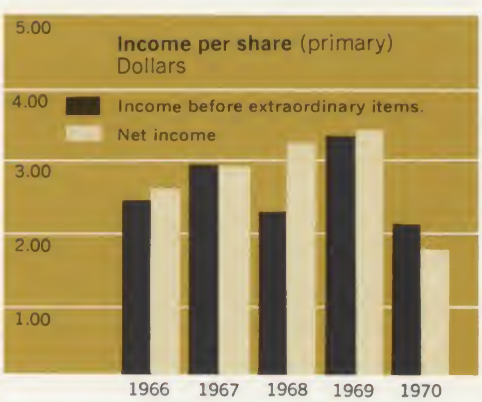
In fiscal 1970 Rapid-American Corporation's operating earnings* amounted to $14,919,000, equal to $2.11 per common share and on a fully diluted basis to $.83 per share. This compares with fiscal 1969's operating earnings of $20,033,000, equal to $3.34 per common share and on a fully diluted basis to $1.41 per share.

*Income before extraordinary items.

Five-Year Highlights







Prior years have been restated, where necessary, in accordance with Accounting Principles Board Opinion 15, issued in May 1969.

Net income after extraordinary items amounted to $13,030,000, or $1.82 per common share and $.58 per share fully diluted. For the previous year the comparable figures were $20,742,000, equal to $3.47 per common share and $1.50 fully diluted .

Consolidated sales for fiscal 1970 were $2,289,511,000, compared with $2,039,992,000 for 1969, which included Glen Alden results for only ten months.

The earnings decline in Rapid-American resulted chiefly from the poor business conditions that prevailed in the men's tailored clothing and luggage businesses. Sales and earnings were down in our Joseph H. Cohen & Sons, Cross Country Clothes and Leeds Travelwear divisions. The overall economic situation and interest rates also contributed to reducing earnings in fiscal 1970.

However, we take pride in our two principal subsidiaries, Glen Alden Corporation and McCrory Corporation, which overcame the adverse business climate of 1970 to achieve record sales and earnings.

Glen Alden's gains came largely from its consumer packaged product operations. Playtex and Schenley increased both sales and earnings, more than compensating for the units that were unable to make substantial progress in last year's economy. The building materials operation, for example, was hampered by the weakness of home-building activity.

The past year found consumer purchases lagging, which caused the earnings of many retailing organizations to suffer. But McCrory, stressing good value in its merchandise coupled with efficiency in operations, moved ahead to record sales and earnings levels.

Fiscal 1970 finished on a generally strong note for us, with a 29 per cent gain in fourth quarter operating earnings on a 4.5 per cent increase in sales. Historically, Rapid-American's annual results are most significantly affected by performance in the fourth quarter, a key selling period for retailing and liquor products.

Here is a summary of the fourth quarter results:

	Quarter Ended January 31, 1971	1970
Net Sales	$688,080,000	$658,200,000
Operating Earnings	9,299,000	7,228,000
Net Income	8,046,000	7,937,000

We, along with other businessmen, hope that the stronger economic tone of the fourth quarter of 1970 signals a firm upturn. If it does, Rapid-American and its Family of Companies are well positioned to take advantage of an improved economy. During 1970 virtually all operations made strides in tightening their organizations and improving marketing programs. Attention was given to upgrading production facilities and instituting more effective control procedures. The result is an overall gain in strength and efficiency that gives us confidence in our ability to make fiscal 1971 a successful year.

I want to acknowledge my appreciation of the superlative support Rapid-American receives from its suppliers, banks, shareholders, directors, officers, and, in particular, all our dedicated employees. This cooperation is always a vital factor in the company's progress—we expect it to continue to be important in our achieving improved results in the current year.

Sincerely,

M. Riklis

M. Riklis

April 15, 1971 Chairman of the Board and President

Key executives: Isidore A. Becker (rear), vice chairman and chief financial officer, and Leonard C. Lane, co-chairman of the executive committee and executive vice president.

Rapid-American

They make the going great: The traveling man enjoys the comfort and wrinkle resistance of a Cross Country double knit suit.

Two of his Leeds Travelwear cases are from the new aluminum-frame "Urbanite" line (left), two are from the popular continental-styled "Prego" line (right).

Cross Country Clothes

Double knit clothing for men was one bright spot in the men's wear field. In 1970 Cross Country Clothes, building on its reputation as a pace-setter in double knit blazers, introduced double knit suits to its line of popular-priced men's wear sold through the nation's largest retail organizations. For the current year Cross Country projects using more than a million yards of double knit fabrics.

Cross Country's IBM/360 computer system, installed in 1970, has brought increased efficiency and reliability to the division's record-keeping, order-taking and control of production and inventory. The computer adds another dimension to the division's traditional strengths in manufacturing and customer service.

Divisions

Joseph H. Cohen & Sons

The 1970 economy created special problems for the men's tailored clothing industry. Consumers, reluctant to spend, looked for quality at a low price, a buying attitude that seems extended into 1971 as well.

The ability to manufacture suits and sportcoats combining quality and moderate price is how Joseph H. Cohen built its position as one of the world's largest producers of men's tailored clothing. This capability was further enhanced in 1970 by the completion of a 150,000-square-foot addition to its main plant in North Philadelphia and the continued installation of the latest tailoring equipment throughout its facilities.

For 1971 and beyond the division has been streamlined and is ready with lines that represent the most modern thinking in fabrics and styling.

Perfect everywhere: Distinctive geometric-patterned fabric and hand-detailing make this Joseph H. Cohen & Sons double knit suit a standout in any setting.

Leeds Travelwear

During 1970 Leeds, in its continuing evaluation of product marketing, introduced new lines, phased out less profitable items and improved its penetration in the mass merchandising and premium merchandise markets. These efforts won excellent customer acceptance; 1971 will benefit from last year's activities.

In the fall of 1970 Leeds started up a 30,000-square-foot plant in Israel, in which it expects to produce soft-sided luggage for the Israeli and European markets.

B.V.D. outfits men and boys in slacks and shirts, as well as its famous underwear.

Schenley's spirits, like Dewar's "White Label" Scotch and I. W. Harper Bourbon, add to the right mood.

Panacon's Briggs Division makes this Beauty Spa Whirlpool bathtub, plus other building materials.

Playtex foundation garments are featured in popular department and women's specialty stores.

National Shirt Shops are located where the action is.

Glen Alden Corporation

Glen Alden, our 64 per cent owned subsidiary, reported total revenues for 1970 of $1,316,077,000, as compared with $1,249,005,000 for 1969. Income after taxes but before extraordinary items was $24,527,000 for 1970, up more than 18 per cent over 1969. Net income including extraordinary items was $22,260,000, compared with $21,768,000 in 1969. (Rapid-American's 1969 results include only ten months of Glen Alden's operating results.)

All divisions reported operating earnings during the year. **Schenley Industries, Inc.** and **International Playtex Corporation,** which together accounted for 66 per cent of total revenues, each had substantial gains in sales and profits.

Schenley's second year of progress under its new management produced its highest sales and profits in two decades. This progress was related largely to the concentration of marketing efforts and advertising dollars behind a comparatively small number of brands with proven profitability or promising future potential.

Sales and profits of International Playtex were again records. The division's gains over the past three years, due to a strong cohesive organization which emphasizes modern and imaginative marketing techniques, are especially notable since they were accomplished during a period of fashion changes which called for less constriction in women's apparel with a resulting adverse effect on girdle sales.

Operations of The **B.V.D. Company Inc.,** a disappointment in 1969, were improved in 1970. Its Knitwear Group, which had severe problems in 1969, has made a dramatic turnabout, and several of B.V.D.'s other divisions attained record sales and profits. Management attention was directed to securing more profitable utilization of its existing assets and facilities through vigorous cost reduction, elimination of non-profitable divisions, the closing of excess plant facilities and corporate office space, and reduction of inventories. Of equal importance, new and improved marketing programs and procedures were developed and these are beginning to show good results.

Panacon Corporation, formed in April 1970 from the merger of Philip Carey and Briggs Manufacturing, made a modestly good showing, despite the softness of home-building, by directing increased marketing effort toward the remodeling and do-it-yourself fields. At the same time, the company instituted programs to eliminate low profit items and to trim costs, which should put it into a sound competitive position for the long-awaited upturn in home-building activity when it materializes.

The **Retail Division** had a reasonably good year in 1970, considering the general slowdown in the economy and the widespread unemployment of youth, an important customer category for National Shirt Shops, the division's largest unit.

In the **Textile Division,** Swift's sales volume for the years 1969 and 1970 were about equal, but its 1970 earnings were significantly lower, due in part to heavy start-up costs of a new plant. Opp and Micolas Cotton Mills remained extremely profitable, with operations at their two very modern plants in Opp, Alabama, continuing around the clock, practically at capacity.

Sales and earnings of **ILC Industries, Inc.** continued on an uptrend in 1970. Still the prime contractor for space suit equipment for the Apollo Lunar Landing Program, it has also been selected as the sole supplier of protective suits for the Skylab Earth Orbital Program. In 1970, ILC Industries acquired M. Steinthal & Co. Inc., one of America's major manufacturers of parachutes and parachute systems.

As this report goes to press, it is anticipated that Schenley's 100 per cent stock interest in The Buckingham Corporation, which is engaged in the U.S. importation and sale of Cutty Sark Scotch whisky, will be sold at a price of $120,000,000 in cash and notes. On February 26, 1971 Schenley sold its domestic wine producing business for $14,000,000.

The sale of the RKO-Stanley Warner Theatre circuit for $21,500,000 took place on January 28, 1971. The theatres accounted for only a small percentage of operating revenues and income.

Glen Alden and Schenley recently announced reorganization plans that, upon completion, would result in Glen Alden's owning all of Schenley's common stock.

Glen Alden management has targeted continued growth in both sales and earnings during next year and the years ahead.

Glen Alden Units

INTERNATIONAL PLAYTEX CORPORATION
Manufactures and markets girdles, bras and family products including bathing caps, rubber gloves, toothbrushes, infant feeding systems, and tampons.

SCHENLEY INDUSTRIES, INC.
Produces, imports and markets a broad line of Bourbon, Scotch, Canadian and blended whiskies, other distilled spirits, and wines—among them some of the nation's best known brands.

THE B.V.D. COMPANY, INC.
Manufactures and markets men's and boys wear, including underwear, neckwear, sport and dress shirts, robes, pajamas, swimwear, and slacks for men and ladies.

TEXTILE DIVISION
Swift Textiles, Inc., Opp Cotton Mills and Micolas Mills produce woven cotton, apparel and industrial fabrics.

RETAIL DIVISION
Operates three chains, National Shirt Shops, Adams Clothes Stores and Rockingham Stores, with 242 men's shops.

PANACON CORPORATION
Mines asbestos fibers and manufactures building materials and plumbing fixtures for home and commercial construction.

ILC INDUSTRIES, INC.
Manufactures advanced-technology products, including Project Apollo spacesuits, air-supported structures, medical instrumentation, and parachute systems.

Lerner Shops offers all the latest answers for the fashion-wise.

The variety world of MMG includes toys among thousands of items for all ages.

Consumers in the South and Southwest look to Otasco for home, recreational and auto needs.

Ample parking for a Saturday crowd at a suburban S. Klein store where shoppers find great value and high style.

McCrory Corporation

Despite the economic difficulties of fiscal 1970, McCrory, our 55 per cent owned subsidiary, achieved higher net income for the seventh consecutive year. Net income for the year amounted to $14,136,000, a gain of $135,000 over 1969. Sales were $908,815,000, an increase of $25,731,000 over the previous year.

The **McCrory-McLellan-Green** (MMG) **Stores** division posted its seventh straight increase in sales, which rose to $268,464,000 from 1969's $261,518,000 and pre-tax earnings were maintained at 6.9 per cent on sales, the record it established in 1969.

MMG opened 21 new or renovated units and closed 18 unprofitable stores, increasing its total to 645. The division plans to establish new units in air conditioned malls and other high-traffic areas throughout the country.

Restaurant operations gained additional momentum with the opening of the first free-standing "Highlander" unit, which provides a full-line cafeteria, table service, and fast food operation, all served by a single kitchen. Long-range plans call for increased volume from food operations throughout MMG, with both in-store and free-standing units.

Lerner Stores Corporation achieved new records in sales and earnings for the sixth successive year. Sales were $354,393,000 for fiscal 1970, up more than 7 per cent from last year's total of $329,254,000. Net earnings were $14,860,000, an increase of nearly 8 per cent over last year's $13,796,000.

During the year, Lerner Shops opened 17 new stores, all in major suburban shopping centers; one store was rebuilt and re-opened, and one store was closed. At year end, 403 Lerner Shops were in operation in the United States, Puerto Rico and the Virgin Islands. Lerner Shops expects to open 22 new stores in fiscal 1971, all located in major shopping centers.

Otasco & Economy Auto Stores completed its 52nd year of growth by reaching all-time sales and earnings highs. Sales were $95,797,000, over 10 per cent higher than the previous year.

A combination of three large warehouse centers and two data processing centers facilitates the smooth distribution of merchandise to the 186 company-owned stores and 325 franchised associate stores in Otasco's growing network. Seven new stores were opened, 11 were remodeled or relocated, and 22 new dealers were added during the year. To meet future growth, Otasco has just completed a new 500,000-square-foot Tulsa distribution center and home office building.

Sales and earnings of **S. Klein Department Stores** declined in 1970. Sales were $190,161,000, down from the previous year's $205,708,000. But the year was marked by significant progress in strengthening systems, procedures, and controls in order to improve performance and profitability. The implementation of positive and effective loss prevention controls markedly reduced shrinkage losses over the prior year.

Continuing S. Klein's expansion program, a major department store unit was opened in Cherry Hill, New Jersey in August 1970, and arrangements were completed for a store in East Brunswick, New Jersey, which will become the chain's seventeenth store when it opens in 1972. During 1970 the company also continued modernization of the original S. Klein store on 14th Street in Manhattan, and the refurbishing of other stores.

McCrory's one loss operation, Best & Co., was discontinued last year. The Fifth Avenue store and the 15 branches which it had serviced were closed in the Fall.

McCrory management expects, despite the existence of a considerable degree of economic uncertainty, to achieve successful performance in its fields of apparel specialty, variety stores, mass merchandising, and auto-general merchandising during the current fiscal year.

McCrory Units

McCRORY-McLELLAN-GREEN
One of the largest and most modern variety store chains in the country, with 645 stores in 38 states.

LERNER STORES CORPORATION
Nation's largest chain specializing in women's and children's fashion apparel, with 403 stores in 39 states, Washington, D.C., Puerto Rico and the Virgin Islands.

OTASCO & ECONOMY AUTO STORES
Sells automotive parts and accessories; outdoor, home and recreational merchandise through 511 outlets in 13 states.

S. KLEIN DEPARTMENT STORES
Operates 16 full-line department stores selling fashion and staple merchandise in the New York-Philadelphia-Washington, D.C. metropolitan areas.

Rapid-American Corporation (Parent Company)
Condensed Balance Sheet

	Number of Shares Owned	Percentage of Outstanding	Carrying Value at Equity*	*January 31,* 1971
ASSETS				
Current assets				**$ 29,365,083**
Investment in common stock of:				
Glen Alden Corporation	13,061,716	63.7%	$162,849,562	
McCrory Corporation	2,471,268	55.4%	38,424,906	**201,274,468**
Property, plant and equipment, net				**15,346,747**
Excess of cost of investments over related equities				**70,864,426**
Deferred charges, etc.				**15,173,000**
				$332,023,724
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				**$ 21,909,234**
Long-term debt, less current maturities				**92,414,735**
Other non-current items				**2,136,271**
Convertible debt, less current maturities				**11,672,307**
Shareholders' equity				**203,891,177**
				$332,023,724

* The aggregate market quotation value of the Glen Alden and McCrory shares was $193,503,000 on March 24, 1971.

See Notes to Financial Statements.

Rapid-American Corporation and Subsidiaries
Statements of Consolidated Income

	Year Ended January 31, 1971	1970
Revenues:		
Net sales and operating revenues	$2,289,510,624	$2,039,992,291
Other—net	7,079,472	7,615,739
	2,296,590,096	2,047,608,030
Costs and Expenses:		
Cost of goods sold and operating expenses	1,683,189,356	1,493,937,361
Selling, advertising, general and administrative expenses	431,259,706	382,345,011
Interest and debt expense	82,768,175	70,859,250
Depreciation and amortization	26,052,515	22,425,894
Federal and foreign income taxes	33,384,379	36,415,166
	2,256,654,131	2,005,982,682
Income Before Minority Interest and Extraordinary Items	**39,935,965**	**41,625,348**
Income Applicable to Minority Interest	25,016,917	21,592,151
Income Before Extraordinary Items	**14,919,048**	**20,033,197**
Extraordinary Items	(1,888,758)	709,339
Net Income	**$ 13,030,290**	**$ 20,742,536**
EARNINGS PER SHARE OF COMMON STOCK:		
Primary:		
Income before extraordinary items	$2.11	$3.34
Extraordinary items	(.29)	.13
Net income	$1.82	$3.47
Fully diluted:		
Income before extraordinary items	$ .83	$1.41
Extraordinary items	(.25)	.09
Net income	$ .58	$1.50

See Notes to Financial Statements.

Rapid-American Corporation and Subsidiaries
Consolidated Balance Sheets

ASSETS	*January 31,* 1971	1970
Current Assets:		
Cash, including certificates of deposit	$ 120,371,059	$ 95,973,405
Marketable securities, at cost which approximates market	15,932,643	13,901,269
Trade receivables, less allowances ($9,075,612 and $7,227,830)	211,455,520	213,981,716
Inventories	570,424,375	591,771,048
Other receivables, prepaid expenses, etc.	35,218,768	31,838,456
Total Current Assets	953,402,365	947,465,894
Investments in and Advances to:		
Seager Evans & Co. Ltd., at equity	19,572,949	19,540,950
McCrory Credit Corporation, at equity	12,473,310	12,250,631
Unconsolidated subsidiaries and affiliates, substantially at cost less, in 1970, a reserve of $2,750,000	3,863,357	11,086,791
	35,909,616	42,878,372
Property, Plant and Equipment	665,417,284	621,574,647
Less accumulated depreciation and amortization	351,856,475	328,764,394
	313,560,809	292,810,253
Other Assets:		
Excess of cost of investments over related equities	220,119,524	211,063,398
Unamortized debt expense	112,186,501	115,835,694
Franchises	50,000,000	50,000,000
Deferred charges, trademarks and unamortized goodwill	15,630,141	13,727,617
Deferred stock bonus expense	5,650,402	7,681,528
Mortgages and sundry	23,694,874	19,610,855
	427,281,442	417,919,092
	$1,730,154,232	$1,701,073,611

See Notes to Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	*January 31,* 1971	1970
Current Liabilities:		
Short-term debt	$ 149,964,910	$ 167,033,825
Current maturities of long-term and convertible debt	83,891,028	85,341,768
Accounts payable	92,643,054	84,991,987
Accrued expenses and sundry	111,113,816	105,828,907
Accrued Federal and foreign income taxes	26,871,064	26,225,508
Total Current Liabilities	464,483,872	469,421,995
Long-term Debt, less current maturities	752,020,760	748,226,481
Deferred Income Taxes and Other	75,316,951	67,632,774
Minority Interest in Subsidiary Companies	231,455,198	207,294,619
Convertible Debt, less current maturities	30,816,014	33,484,281
Shareholders' Equity:		
Preferred stock	799,040	850,812
Common stock, $1 par value, authorized 20,000,000 shares, issued (1971) 7,266,240 shares and (1970) 7,186,767 shares, less treasury stock (1971) 620,928 shares and (1970) 618,928 shares	6,645,312	6,567,839
Capital surplus	207,506,186	207,526,302
Earned surplus	21,755,081	25,173,164
Equity in subsidiaries' cost of their treasury stock and subsidiary's cost of investment in Rapid-American Corporation common stock (less par value) and warrants	(60,644,182)	(65,104,656)
Shareholders' Equity	176,061,437	175,013,461
	$1,730,154,232	$1,701,073,611

See Notes to Financial Statements.

Rapid-American Corporation and Subsidiaries
Statements of Shareholders' Equity
For the Two Years Ended January 31, 1971

	Preferred Stock	Common Stock	Capital Surplus	Earned Surplus	Subsidiaries' Cost of Treasury Stock*
Balance at February 1, 1969	$1,002,280	$3,590,807	$ 42,505,575	$12,120,205	$ (6,898,301)
Net income				20,742,536	
Dividends:					
On preferred stock				(748,303)	
On common stock ($.5625 per share)				(3,993,037)	
Exercise of stock options	900	38,855	382,989		
Conversion of preferred stock and debentures	(152,368)	290,715	1,182,585		
Issuance of securities pursuant to Exchange Offer for Glen Alden common stock		3,235,354	150,692,022		
Issuance of stock bonus shares—net		9,166	190,438		
Equity in certain transactions of subsidiaries			12,572,693	(2,948,237)	(30,973,673)
Subsidiary's cost of investment in Rapid common stock and warrants		(597,058)			(27,232,682)
Balance at January 31, 1970	850,812	6,567,839	207,526,302	25,173,164	(65,104,656)
Net income				13,030,290	
Dividends:					
On preferred stock				(935,038)	
On common stock ($.5625 per share)				(4,038,332)	
Exercise of stock options	1,210		7,415		
Conversion of preferred stock	(52,982)	79,473	(26,491)		
Repurchase of stock bonus shares		(2,000)	(45,750)		
Equity in certain transactions of subsidiaries			44,710	(11,475,003)	4,460,474
Balance at January 31, 1971	$ 799,040	$6,645,312	$207,506,186	$21,755,081	$(60,644,182)

* Consists of equity in subsidiaries' cost of their treasury stock and subsidiary's cost of investment in Rapid common stock (less par value) and warrants.

See Notes to Financial Statements.

Rapid-American Corporation and Subsidiaries
Source and Application of Consolidated Financial Resources

	Year Ended January 31,	
Source:	1971	1970
Operations:		
Net income	$13,030,290	$ 20,742,536
Charges not requiring current outlays:		
Depreciation and amortization, including debt and stock bonus expense, etc.	32,007,480	29,569,221
Income applicable to minority interest (less dividends paid of $12,825,275 and $9,590,200)	12,191,642	12,001,951
Deferred income taxes	3,807,652	5,813,879
	61,037,064	68,127,587
Increase in long-term and convertible debt—net	1,126,012	
Exercise of stock options and issuance of bonus shares	8,625	431,910
Certain transactions of subsidiaries—net	1,880,018	445,629
Increase in working capital arising from acquisition of 12,941,416 shares of Glen Alden (at a cost of $199,224,191)		433,988,724
	64,051,719	502,993,850
Application:		
Additions to property, plant and equipment—net	46,803,071	47,180,561
Cash dividends	4,973,370	4,741,340
Decrease in long-term and convertible debt—net*		58,373,809
Increase in excess of cost of investments over related equities (exclusive, in 1970, of amount arising from acquisition of Glen Alden shares)	4,137,579	4,281,628
Increase in investment in unconsolidated subsidiaries and affiliates		3,169,158
Other—net	(2,736,895)	2,614,166
	53,177,125	120,360,662
Increase in Working Capital	$10,874,594	$382,633,188

* Exclusive of Rapid's 7% subordinated debentures issued in acquisition of Glen Alden shares and McCrory's 7½% subordinated debentures issued in exchange offer for shares of its common stock.

See Notes to Financial Statements.

Notes to Financial Statements

Principles of consolidation

The consolidated financial statements include Rapid and its subsidiaries Glen Alden Corporation (from date of acquisition of majority interest in March 1969) and McCrory Corporation. All references to January 31 include Glen Alden financial data at December 31.

The Glen Alden consolidated financial statements include all subsidiaries except Seager Evans & Co. Ltd., a 75% owned subsidiary in the United Kingdom, and certain other foreign subsidiaries whose assets and operations are not significant.

The McCrory consolidated financial statements include all subsidiaries, except McCrory Credit Corporation.

To facilitate comparisons with the current year, certain amounts in the prior year have been reclassified with no effect on net income.

McCrory Credit Corporation and equity in instalment accounts sold

Rapid and its affiliates assign certain customers' accounts receivable to McCrory Credit Corporation, which remits 90% of the amount thereof. The companies accept reassignment of any accounts in default, as defined. The 10% equity of Rapid in assigned accounts (the uncollected balances of which amount to $61,929,000 at January 31, 1971) is included in trade receivables in the consolidated balance sheet. Collections in January 1971 (payable to McCrory Credit Corporation in February 1971) from assigned customers' accounts (net of 10% equity) amounting to $17,277,000 have been deducted from trade receivables in the consolidated balance sheet. The investment in McCrory Credit Corporation is carried at McCrory's equity in the capital and undistributed earnings at January 31, 1971 as summarized below:

Accounts receivable, less unearned discount	$59,587,449	
Cash	9,376,247	
Other assets, less other liabilities	609,614	$69,573,310
Notes payable to banks	57,100,000	
Notes payable to McCrory and subsidiaries	8,000,000	65,100,000
McCrory's equity		$ 4,473,310

Net income of McCrory Credit Corporation for the years ended January 31, 1971 and 1970 was $222,679 and $483,764, respectively. Rapid's equity in each year's net income is included in consolidated income.

Inventories

Inventories consist of the following:	January 31, 1971	1970
At lower of cost or market:		
Principally first-in, first-out and average cost:		
Merchandise at stores, plants and warehouses	$ 90,432,167	$ 92,411,986
Work in process	26,599,849	28,403,141
Raw materials and supplies	73,020,419	64,948,551
Retail method—at stores and warehouses	92,555,603	98,516,771
Merchandise in transit, at warehouses and at restaurants—at cost	15,068,324	12,831,814
At cost—whiskey, other spirits and wine:		
In bond	247,762,874	269,023,204
Tax paid	24,985,139	25,635,581
Total	$570,424,375	$591,771,048

The in bond inventory is subject to payment of excise taxes upon removal from Government controlled premises.

Investments in consolidated subsidiaries

Glen Alden Corporation—Rapid owned at January 31, 1971 and 1970, 13,061,716 shares (63.7% and 64%, respectively) of Glen Alden common stock. At January 31, 1971, 7,000,000 of these shares were pledged as collateral to secure $20,850,000 of notes payable by Rapid. Pursuant to an Exchange Offer in March 1969, Rapid acquired 12,941,416 shares of Glen Alden (including 2,388,230 shares then owned by McCrory) and issued in exchange $51,765,664 of 7% debentures, due 1994, 3,235,354 shares of common stock and 6,470,708 redeemable warrants.

McCrory Corporation—Rapid owned at January 31, 1971 and 1970, 2,471,268 shares (55.4% and 56.3%, respectively) of McCrory common stock. At January 31, 1971 these shares were pledged as collateral to secure $15,050,000 of notes payable by Rapid.

At January 31, 1971 the aggregate unallocated cost of investments exceeded equity in underlying net assets at dates of acquisition as follows: common stock of Glen Alden ($55,092,870) and its subsidiaries ($128,627,950), common stock of McCrory ($1,439,307) and its subsidiaries ($20,627,148) and operating assets of Rapid's divisions ($14,332,249). The excess purchase costs have been recognized by the managements of Rapid, Glen Alden and McCrory as being similar in nature to intangibles which have not declined in value since acquisition. Accordingly, at dates of acquisition, such managements adopted the policy of not amortizing these excess purchase costs so long as there is no diminution in value of the related investments. Franchises consist of Schenley Industries, Inc. contracts to import whiskeys, liquors, and other distilled spirits, which, in the opinion of management of Glen Alden, have continuing value and accordingly are not being amortized.

Long-term and convertible debt

Long-term debt—January 31, 1971:

Parent:	Current	Long-term
5¾% to 9½% notes, due 1971 to 1979	$1,525,000	$ 34,750,000
7% subordinated debentures, due 1994 (a)		46,779,736
2% to 7% mortgages	130,000	5,899,071
Total parent	1,655,000	87,428,807
Subsidiaries:		
Sinking fund subordinated debentures:		
5% due 1981 (b)	128,829	12,344,620
5½% due 1976 (c)		11,356,480
6% due 1988 (d)		334,720,300
6½% due 1982 (e)	195,242	9,523,589
7½% due 1994 (f)		60,000,000
10½% due 1985 (g)		11,831,160
Notes payable:		
3% and 6½% to insurance companies, due 1971 to 1979	2,000,000	80,000,000
Revolving credit agreement (h)		20,300,000
7¼% to insurance company (i)		35,000,000
3% to 10⅝% to domestic and foreign banks, due 1971 to 1980 (j)	69,455,853	44,359,977
3% to 10% mortgages and other, due 1971 to 1986	7,789,437	45,155,827
Total long-term debt	$81,224,361	$752,020,760

Convertible debt—January 31, 1971:

Parent:	Current	Long-term
5¾% subordinated debentures, due 1977 (k)		$ 9,005,640
6% subordinated notes, due 1971 and 1972 (l)	$ 2,666,667	2,666,667
Total parent	2,666,667	11,672,307
Subsidiaries:		
Subordinated debentures:		
5% due 1986 (m)		814,000
6½% due 1992 (n)		8,329,707
7% due 1973 (o)		10,000,000
Total convertible debt	$ 2,666,667	$ 30,816,014

The aggregate of long-term and convertible debt maturing during the five years ending January 31, 1976 is approximately as follows: 1972, $83,891,000 (included in current liabilities); 1973, $47,146,000; 1974, $46,693,000; 1975, $18,285,000 and 1976, $16,934,000. The year 1973 does not include $20,300,000 of notes payable to banks under revolving credit agreements, see (h) below.

Agreements covering certain indebtedness of Rapid contain covenants concerning working capital position, additional indebtedness and restrictions on transactions in capital stock, and prohibit the declaration and payment of cash dividends on its common stock.

(a) Exclusive of $4,985,928 principal amount held by McCrory.

(b) Exclusive of $130,780 held in treasury which is available for sinking fund payments. Annual sinking fund payments are 2% of the principal amount outstanding in January 1970 in each year to and including 1974 and at the rate of 5% of said amount in each year thereafter to January 1980.

(c) Exclusive of $17,321,792 reacquired which have been cancelled and are available to satisfy sinking fund payments in full. A final payment in the amount of the outstanding debentures is due on August 15, 1976.

(d) Exclusive of $22,573,000 principal amount held by a subsidiary. Annual sinking fund payments begin in 1979 and end in 1987.

(e) Sinking fund payments in each year are as follows: 1971 to 1973 (2%), 1974 to 1976 (3%), 1977 to 1979, (4%), 1980 and 1981 (5%).

(f) Annual sinking fund payments begin in 1981 and end in 1993.

(g) Annual sinking fund payments commence in 1974 at the rate of 5% of the aggregate principal amount outstanding on January 15, 1973 and continue through February 1984.

(h) 90 day promissory notes to banks, with interest at current prime rate renewable at each maturity date to January 31, 1973. It is McCrory's present intention to renew these notes until January 31, 1973.

(i) Due $2,520,000 annually from 1975 through 1983 and the balance in 1984. Issued with detachable warrants, expiring in 1984, to purchase 700,000 shares of Glen Alden common stock at $14.92 per share.*

(j) On February 1, 1971, $52,997,000 of these notes were due, $30,000,000 was paid and the maturity of the remaining balance was extended to August 1, 1971.

(k) Convertible into Rapid common stock at $21.25 per share.*

(l) Convertible into Rapid common stock at $30 per share.*

(m) Convertible into Glen Alden $3.15 Cumulative Convertible Preferred Stock at $89.16 per share.*

(n) Convertible into McCrory common stock at $25 per share to February 14, 1972, $30 to February 14, 1977 and $35 to February 15, 1992.*

(o) Convertible into Glen Alden common stock at $17 per share.*

* Subject to anti-dilution.

Property, plant and equipment

	January 31, 1971	January 31, 1970
Property, plant and equipment, stated at cost, consist of the following:		
Land	$ 32,750,745	$ 35,814,422
Buildings, store properties, warehouses and leased facilities	195,491,707	185,473,766
Furniture and fixtures and leasehold improvements	255,573,489	235,816,467
Machinery and equipment	181,601,343	164,469,992
Total	$665,417,284	$621,574,647

Rapid and its subsidiaries provide for depreciation and amortization generally on the straight-line method over the estimated service lives of the properties.

Income taxes

At January 31, 1971 and 1970, deferred income taxes included in the accompanying consolidated balance sheets amounted to $42,231,504 and $36,232,260, respectively. Deferred income taxes in the amount of $3,807,652 in 1971 and $5,813,879 in 1970 have been provided for the tax effects of items (principally depreciation, instalment sales, amortization, deferred compensation, pensions and warranties) reported in different periods for tax and financial reporting purposes.

Preferred stock

At January 31, 1971, $2.25 Cumulative Convertible Preferred Stock of Rapid was as follows:

Number of shares:	
Originally authorized	1,100,000
Issued and outstanding	399,520
Per share:	
Par value	$ 2.00
Redemption price	$ 47.25
Liquidation preference	$ 45.00
Conversion rate	3 for 1
Shares of common stock reserved for conversion of stock outstanding	1,198,560
Aggregate par value of stock outstanding	$ 799,040
Aggregate liquidation preference of stock outstanding	$17,978,400

Under certain circumstances Rapid may be required to issue up to 371,000 additional shares of $2.25 preferred stock.

Options to purchase Rapid's $2.25 preferred stock are as follows:

	Option Price Range	Number of Shares
Outstanding February 1, 1970	$11.25–$23.31	1,289
Exercised during the year	$11.25–$20.89	605
Outstanding and exercisable January 31, 1971	$19.29–$23.31	684

Common stock

Rapid's qualified stock option plan authorizes the grant to officers, other executives and key employees of options to purchase 200,000 shares of common stock at not less than 100% of fair market value on the dates of grant. Option data are as follows:

	Option Price Range	Number of Shares
For the year ended January 31, 1971:		
Outstanding February 1, 1970	$ 8.17 –$24.50	67,460
Cancelled during the year	$10.125–$24.50	25,465
Outstanding January 31, 1971	$ 8.17 –$24.50	41,995
At January 31, 1971:		
Exercisable	$ 8.17 –$24.50	36,870
Available for grant	—	48,115

At January 31, 1971 warrants entitling their holders to purchase shares of Rapid's common stock were as follows:

Expiration Date	Exercise Price	Number of Warrants
May 1, 1976	$ 8.50	100,000*
June 1, 1976	5.00	100,000
May 15, 1994 (redeemable at $20)	35.00	5,276,592
Total		5,476,592

* Issued January 1971 in exchange for 50,000 warrants, each exercisable at $20.

At January 31, 1971 McCrory owned 1,194,116 of the redeemable warrants (not included above). McCrory also owned 597,058 shares of Rapid's common stock, which have been included with treasury stock in the accompanying consolidated financial statements.

At January 31, 1971 there were 363,581 shares of McCrory common stock reserved for the conversion of McCrory preferred and preference stocks and debentures, 369,469 shares of McCrory common stock reserved for issuance under stock option plans and 3,234,133 McCrory common stock purchase warrants outstanding.

At December 31, 1970 there were 8,746,229 shares of Glen Alden common stock reserved for the conversion of Glen Alden preferred and preference stocks and debentures, 1,281,944 shares of Glen Alden common stock reserved for issuance under stock option plans and 700,000 Glen Alden common stock purchase warrants outstanding.

Rapid and its subsidiaries adopted stock bonus plans in 1968. During the year ended January 31, 1971 Rapid under its plans repurchased 2,000 shares. The excess of the market values of Rapid's and its subsidiaries' shares on the dates of allocation over the par value thereof is being charged to income ratably over periods not exceeding eight years. Amortization for the years ended January 31, 1971 and 1970 amounted to $1,455,946 and $1,508,155, respectively.

Pension plans

McCrory and Lerner have non-contributory pension plans covering certain of their employees. Pension costs accrued are funded as required. For the years ended January 31, 1971 and 1970 these costs amounted to $665,000 and $662,000, respectively. No contributions were required for one plan for these years since the amounts accumulated in the trust fund exceeded the liability and vested benefits, as computed by the consulting actuary. The past service costs in respect of certain of these plans was approximately $2,342,000 at January 31, 1971, which is being amortized over a 28-year period.

Glen Alden and its subsidiaries have various contributory and non-contributory retirement plans covering eligible employees. Unfunded prior service costs amounted to approximately $14,400,000 at December 31, 1970 of which $14,300,000 is being funded over various periods not exceeding thirty years. For the years ended December 31, 1970 and 1969, the amount charged to income under the plans, including interest on all unfunded prior service costs, was $4,116,000 and $2,368,000, respectively. It is the policy of Glen Alden generally to fund pension cost accrued. As of December 31, 1970, the actuarially computed value of vested benefits under applicable plans exceded the total of the related pension funds and balance sheet accruals by approximately $2,800,000.

Commitments and contingencies

There are a number of lawsuits and claims, including antitrust actions, pending against Rapid and subsidiaries together with other contingencies (including long-term leases on locations at which operations have been or may be discontinued). Management and counsel are of the opinion that the ultimate liability, if any, will not materially affect the consolidated financial position of Rapid and its subsidiaries. At January 31, 1971 the minimum annual rentals upon property leased to Rapid and its subsidiaries under leases expiring after January 1974 amount to approximately $52,800,000 plus, in certain instances, real estate taxes, insurance, etc.

Earnings per share of common stock

Primary earnings per share is based on the weighted average number of common shares outstanding during each year and gives effect to the assumed conversion of common stock equivalents.

Fully diluted earnings per share give effect to the assumed conversion of dilutive convertible securities into common stock and to the exercise of dilutive stock options and warrants with proceeds therefrom generally applied to the purchase of common treasury stock and the balance, where applicable, to reduce outstanding debt.

Extraordinary items

	Year Ended January 31, 1971	1970
Rapid's equity in transactions of non wholly-owned subsidiaries:		
Tax loss carry forward—credit equivalent to reduction in taxes arising from utilization of net operating loss carry-overs	$ 815,152	$109,293
Net profit (loss) on discontinuance and disposals of certain operating units, net of income taxes	(2,264,160)	600,046
Loss on sale of securities by wholly-owned subsidiary	(439,750)	—
Total	$(1,888,758)	$709,339

Subsequent events

Glen Alden, subsequent to the close of its fiscal year, sold its wholly-owned subsidiary RKO-Stanley Warner Theatres, Inc. for $21,500,000, subject to certain adjustments. The net proceeds of such sale closely approximated the carrying value of the assets sold after consideration of related credits (arising in 1968 and 1969) included in "Excess of cost of investments over related equities".

On February 26, 1971 Schenley sold certain assets connected with its wine business for $14,000,000, subject to adjustment. Glen Alden's equity in the gain on the sale of the wine business assets will be applied to "Excess of cost of investments over related equities".

On February 25, 1971 a consent decree was entered into by Schenley and the United States Department of Justice, in settlement of a civil antitrust suit, which requires Schenley to divest itself of all its interest in The Buckingham Corporation by June 30, 1972.

A memorandum of understanding dated October 30, 1970 has been entered into between Northwest Industries, Inc. and Schenley which provides for the sale to Northwest of all the stock of Buckingham for a price of $120,000,000 in cash and notes. Negotiations with respect to a definitive agreement for the sale are currently in process. Such sale, upon consummation, will result in a significant gain to Schenley and it is presently anticipated that a major portion of Glen Alden's equity in said gain will serve to reduce intangibles. Buckingham revenues for 1970 were approximately $60,093,000 and its net income was approximately $8,710,000; Rapid's equivalent equity in such net income was approximately 55%.

Glen Alden and Schenley have agreed in principle to a reorganization under which Glen Alden will become the owner of all Schenley common stock. In the proposed reorganization cash and Glen Alden 7½% sinking fund subordinated debentures will be exchanged for Schenley common stock and $1.40 cumulative convertible preferred stock.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 10004

ACCOUNTANTS' OPINION

To the Board of Directors and Shareholders
of Rapid-American Corporation:

We have examined the consolidated financial statements of Rapid-American Corporation and subsidiaries for the two years ended January 31, 1971 and the condensed balance sheet of Rapid-American Corporation (Parent Company) as of January 31, 1971. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of Lerner Stores Corporation and subsidiaries for the two years ended January 31, 1971. Our opinion, insofar as it relates to the amounts included for those companies, is based solely upon the report of other accountants.

In our opinion, the accompanying consolidated balance sheets and statements of consolidated income, shareholders' equity and source and application of consolidated financial resources present fairly the financial position of Rapid-American Corporation and subsidiaries at January 31, 1971 and 1970 and the results of their operations and the source and application of their consolidated financial resources for the two years then ended, and the condensed balance sheet summarizes fairly the financial position of Rapid-American Corporation (Parent Company) at January 31, 1971, in conformity with generally accepted accounting principles applied on a consistent basis.

Haskins & Sells

March 25, 1971

Directors

ISIDORE A. BECKER*
GEORGE V. DELSON
PAUL A. JOHNSTON
BERNARD KOBROVSKY
FRED KORROS
LEONARD C. LANE†
SAMUEL J. LEVY†
MESHULAM RIKLIS*
PINHAS RIKLIS
LORENCE A. SILVERBERG*
MURRAY J. TOUSSIE
HARRY H. WACHTEL*

†Co-chairman of the Executive Committee
*Member of the Executive Committee

Officers

MESHULAM RIKLIS
Chairman of the Board and President

ISIDORE A. BECKER
Vice Chairman of the Board
and Financial Vice President

LEONARD C. LANE
Executive Vice President

ANTHONY W. TRAPANI
Vice President and Treasurer

LORENCE A. SILVERBERG
Vice President

HAIM BERNSTEIN
Vice President

JOSEPH B. RUSSELL
Secretary

AUDITORS
Haskins & Sells
2 Broadway
New York, N.Y. 10004

COUNSEL
Rubin Wachtel Baum & Levin
598 Madison Avenue
New York, N.Y. 10022

TRANSFER AGENTS
Common Stock
Chemical Bank
770 Broadway
New York, N.Y. 10003

First Jersey National Bank
One Exchange Place
Jersey City, N.J. 07303

$2.25 Convertible Preferred Stock
Redeemable Warrants
Chemical Bank
770 Broadway
New York, N.Y. 10003

REGISTRAR
The Chase Manhattan Bank (N.A.)
1 Chase Manhattan Plaza
New York, N.Y. 10015

RAPID-AMERICAN
SECURITIES LISTINGS:

Common Stock
New York Stock Exchange
Cincinnati Stock Exchange
Pacific Coast Stock Exchange

$2.25 Convertible Preferred Stock
New York Stock Exchange

Redeemable Warrants
American Stock Exchange
Pacific Coast Stock Exchange

5¾% Convertible Debentures
American Stock Exchange

7% Subordinated Debentures
New York Stock Exchange

Printed in U.S.A.

Rapid-American Corporation
Executive Offices: 711 Fifth Avenue, New York, N.Y. 10022